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April 29, 1994

RECORDATION NO. **18790**
APR 29 1994 - 11 20 AM
FILED 1425
INTERSTATE COMMERCE COMMISSION

Mr. Sidney L. Strickland, Jr.
Secretary
Interstate Commerce Commission
Washington, DC 20423

Dear Mr. Strickland:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11303(a) are two (2) copies of a Railcar Lease Agreement, dated as of April 29, 1994, a primary document as defined in the Commission's Rules for the Recordation of Documents under 49 C.F.R. Section 1177.

The names and addresses of the parties to the enclosed document are:

Lessor: American National Bank and Trust Company of Chicago
33 North LaSalle Street
Chicago, Illinois 60690

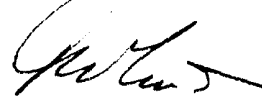
Lessee: Escanaba & Lake Superior Railroad Company
One Larkin Plaza
Wells, Michigan 49894

A description of the railroad equipment covered by the enclosed document is attached to the Railcar Lease Agreement as Exhibit A.

Also enclosed is a check in the amount of \$18.00 payable to the order of the Interstate Commerce Commission covering the required recordation fee.

Kindly return one stamped copy of the enclosed document to the undersigned.

Very truly yours,



Robert W. Alvord

Enclosures

Handwritten notes in left margin:
1. Enclosed for Mr. L...
2. Enclosed for Mr. L...

APR 29 1994 -11 20 AM

RAILCAR LEASE AGREEMENT

INTERSTATE COMMERCE COMMISSION

This Lease Agreement, dated as of April 29, 1994, is by and between the Escanaba & Lake Superior Railroad Company, a Michigan corporation ("Lessee") as Lessee, and American National Bank and Trust Company of Chicago, a national banking association ("Lessor"), as Lessor, acting as Owner Trustee under the Trust Agreement, dated as of April 29, 1994 (as it may be amended from time to time, the "Trust Agreement"), for the benefit of Northern Federal Leasing, L.L.C., a Michigan limited liability company ("Owner Participant").

RECITALS

Pursuant to the Assignment of Purchase Option, dated as of April 29, 1994, from Lessee to Lessor, Lessor purchased the Cars (as hereinafter defined) for value from American National Bank and Trust Company of Chicago, as trustee under the Trust Agreement, dated as of October 15, 1986, among the Trustee and the seven owner participants thereunder, in order to enable Lessee to acquire rights in and the use of the Cars pursuant to the terms of this Agreement.

Now, therefore, it is hereby agreed as follows:

1. **Scope of Agreement**

Lessor agrees to lease to Lessee, and Lessee agrees to lease from Lessor, the railroad equipment listed in Exhibit A hereto subject to the terms and conditions set forth

herein, which equipment is hereinafter called collectively the "Cars" and individually a "Car."

2. Term

This Agreement shall remain in full force until it shall have been terminated as to all of the Cars as provided herein. The lease term with respect to all of the Cars shall commence on the date hereof and shall extend to and shall expire (unless sooner terminated pursuant to the provisions of this Agreement) on October 29, 1999.

3. Acceptance

A. Lessee shall execute and deliver to Lessor a Certificate of Acceptance in the form attached hereto as Exhibit B for the Cars on the date hereof.

B. The execution and delivery by Lessee of the Certificate of Acceptance with respect to the Cars shall conclusively establish that such Cars are in interchange condition and are accepted by Lessee under this Agreement, notwithstanding any defect with respect to design, manufacture or condition or in any other respect, and shall conclusively establish as between Lessor and Lessee that such Cars are in good order and condition and conform to the specifications applicable thereto and to all applicable United States Department of Transportation and Interstate Commerce Commission ("ICC") requirements and specifications, if any, and to all standards recommended by the Association of American Railroads ("AAR") applicable to railroad equipment of the character of the Cars as of the date of this Agreement. In the event that any Car is damaged when accepted under this Agreement, Lessee shall be responsible for any repairs required to put the Car in interchange condition.

C. Lessee agrees that LESSOR SUPPLIES THE CARS TO LESSEE "AS IS" AND NEITHER LESSOR NOR OWNER PARTICIPANT MAKES ANY WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, OPERATION, TITLE, MERCHANTABILITY, FITNESS (FOR USE OR FOR ANY PARTICULAR PURPOSE), DESIGN, CAPACITY OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL OR WORKMANSHIP IN THE CARS OR ANY COMPONENTS THEREOF, OR ANY OTHER WARRANTY OR REPRESENTATION WHATSOEVER, WRITTEN OR ORAL. Lessee further agrees that NEITHER LESSOR NOR OWNER PARTICIPANT SHALL BE RESPONSIBLE FOR ANY LIABILITY, CLAIM, LOSS, DAMAGE (DIRECT OR CONSEQUENTIAL) OR EXPENSE, OF ANY KIND OR NATURE, CAUSED DIRECTLY OR INDIRECTLY BY THE CARS, OR ANY INADEQUACY THEREOF OR DEFECT (LATENT OR PATENT) THEREIN, OR RESULTING DIRECTLY OR INDIRECTLY FROM THE OPERATION OR USE THEREOF.

4. Railroad Markings and Record Keeping

A. Lessor and Lessee agree that the Cars will be lettered with the railroad markings of Lessee at the cost and expense of Lessee. Lessee shall at Lessee's expense keep and maintain in letters not less than one inch in height the words, "LEASED FROM AMERICAN NATIONAL BANK AND TRUST COMPANY AS OWNER TRUSTEE PURSUANT TO A LEASE FILED WITH THE INTERSTATE COMMERCE COMMISSION," and appropriate changes requested thereto by Lessor.

B. At no cost to Lessor, Lessee shall during the term of this Agreement cause to be prepared for Lessor's signature and filing all documents relating to the registration,

maintenance, taxes (excluding Lessor's income taxes), and record keeping functions involving the Cars. Such documents shall include (i) appropriate AAR documents including, without limitation, an application, if applicable, for relief from AAR Car Service Rules; (ii) registration in the Official Railway Equipment Register and the Universal Machine Language Equipment Register; and (iii) such other reports as may be required from time to time by the ICC and/or other regulatory agencies. Lessor will furnish to Lessee such data as required by Lessee in writing as necessary for registration of all the Cars in the Official Railway Equipment Register, and in the Universal Machine Language Equipment Register.

C. Lessee shall file or cause to be filed this Agreement with the ICC in accordance with 49 U.S.C. § 11303, at no expense to Lessor. Promptly following the date hereof, Lessee, at its expense, shall also cause this Agreement to be deposited with the Registrar General of Canada pursuant to Section 90 of the Railway Act of Canada and, within 21 days after the date hereof, shall cause publication of notice of such deposit in The Canada Gazette in accordance with said Section 90. Each Car leased hereunder shall be registered by Lessee at no cost to Lessor in the Official Railway Equipment Register and the Universal Machine Language Equipment Register. Lessee shall, at its own expense, on behalf of Lessor, perform or cause to be performed all record keeping functions relating to the use of the Cars by Lessee and other railroads in accordance with AAR railroad interchange agreements and rules, such as car hire reconciliation.

D. All record keeping performed by Lessee hereunder and all record of payments, charges and correspondence related to the Cars shall be separately recorded and maintained by Lessee, at Lessee's expense, in a form suitable for reasonable

inspection by Lessor or its agents from time to time during regular Lessee business hours. Lessee shall supply Lessor with such information regarding the use of the Cars by Lessee as Lessor may reasonably request.

5. Maintenance, Taxes and Insurance

A. Lessee will maintain the Cars, at Lessee's expense, in the same operating order, repair and condition as when received by Lessee hereunder, ordinary wear and tear excepted, and in compliance with all applicable laws, rules and regulations, and suitable for interchange in accordance with the Interchange Rules of the AAR (or any successor organization having responsibility for matters pertaining to the interchange of freight traffic) and all requirements of the insurance policies referred to herein.

Lessee shall promptly notify Lessor whenever a Car has become a heavy bad order (a "Bad Order Car") and Lessee shall repair such Car so as to return such Car to service within 120 days of the date it became bad order. If the status of the Car remains heavy bad order beyond this period, Lessee shall post a Letter of Credit (as defined below) in the amount of the Stipulated Loss Value of such Car at the time it became a Bad Order Car until such time as proof of repair is presented to and accepted by Lessor.

B. Lessee will pay all costs, expenses, fees and charges incurred in connection with the use and operation of each of the Cars during its lease term, including, without limitation, repairs, maintenance and servicing. Lessee shall use its best efforts to make or cause to be made such inspections of, and maintenance and repairs to, the Cars as may be required from time to time. In the event that a Car is lost, stolen, condemned, destroyed or damaged beyond repair such Car shall be deemed to have suffered a "Total

Loss" for purposes hereof. In the event that a Total Loss occurs, Lessee will (1) promptly, but in any event on or before the next succeeding rent payment date, notify Lessor of such Total Loss, and (2) elect to perform one of the following options: (a) promptly, but in any event on or before the next succeeding rent payment date, convey or cause to be conveyed to Lessor a replacement car to be leased to Lessee hereunder, such replacement Car to be of the same car type and DOT classification, the same or a later year of manufacture of the Car replaced and free and clear of all liens and other encumbrances and to have a fair market sales value, utility, remaining economic useful life, residual value and condition at least equal to the Car so replaced (assuming such Car was in the condition required to be maintained by the terms of this Agreement); or (b) promptly, but in any event on or before the next succeeding rent payment date and at the expense of Lessee, post an irrevocable letter of credit in favor of Lessor from an institution reasonably acceptable to Lessor in such form as may be reasonably approved by Lessor, with an expiry date of October 29, 1999 and in an amount equal to the Stipulated Loss Value of such Car (as hereinafter defined) (a "Letter of Credit") as of the date of such Total Loss, or, at the request of Lessee and at the discretion of Lessor, provide Lessor with other collateral acceptable to Lessor in its sole and absolute discretion. For purposes hereof, the "Stipulated Loss Value" of any Car shall be an amount determined as specified in Exhibit C attached hereto.

C. Lessee assumes all risks of loss, theft, condemnation or destruction of, or damage to, the Cars and all risks of any injuries or damages incident thereto, whether to employees, agents or property of Lessee, Lessor or third parties, regardless of the cause thereof.

D. Lessee shall make or cause to be made, at its expense, all running repairs, alterations, modifications or replacement of parts, as shall be necessary to maintain the Cars in good operating condition throughout the term of the Agreement. Lessee, at its own expense, will make or cause to be made such alterations and modifications in and additions to the Cars as may be required from time to time to meet the applicable standards of the AAR or the Department of Transportation or any other governmental agency having jurisdiction over the Cars in order to comply with Section 5.A hereof; provided, however, that Lessee may, at its option, so long as the failure to make such alterations, modifications or additions does not adversely affect the rights or interests of Lessor, post a Letter of Credit in the amount of the Stipulated Loss Value of any such Car as of the date any such alterations, modifications or additions would be required to be made in lieu of making such alterations, modifications or additions until such time as proof of repair is presented to and accepted by Lessor. Except for such required alterations or modifications, Lessee shall not make any alterations, improvements or additions to the Cars without Lessor's prior written consent. Title to any such alteration, improvement or addition made to the Cars by Lessee shall be and remain with Lessor.

E. Lessee shall be responsible for (and hereby agrees to indemnify and hold Lessor and Owner Participant harmless from and against) all taxes (including, without limitation, sales, use, excise, gross receipts, value added, personal property, stamp, documentary, and ad valorem taxes), levies, imposts, duties, charges and registration fees, assessments and other governmental charges of whatsoever kind or character relating to each Car and on the lease, delivery or operation thereof or which may be accrued, levied, assessed or imposed during the lease term, except taxes on income

imposed on Lessor or Owner Participant. Lessee will comply with and file, on behalf of Lessor, all state and local laws requiring the filing of ad valorem tax returns on the Cars.

F. Lessee shall, at its own cost, maintain in effect throughout the term of the Agreement and during any storage period thereafter, with financially sound and reputable insurers acceptable to Lessor, "all risk" insurance, in form and substance satisfactory to Lessor, naming Lessee as insured and naming Lessor and Owner Participant as additional insureds and insuring the Cars against physical loss or damage in an amount not less than the Aggregate Stipulated Loss Value (as defined in Section 8.B(4) below) less the face amount of any Letter of Credit issued pursuant to Section 5.A, 5.B or 5.D hereof that remains outstanding. All insurance proceeds under policies required hereby received as the result of a Total Loss with respect to any Car shall be paid to the order of Lessor; provided, that if Lessee shall have fully performed the terms of Section 5.B hereof with respect to the Total Loss for which such proceeds are paid and no event of default or event which with the passage of time or notice, or both, would constitute an event of default exists hereunder, Lessor shall release such insurance proceeds to Lessee. The proceeds of any insurance received by Lessor on account of or for any loss not constituting a Total Loss with respect to any Car shall be released to Lessee upon receipt of an officers' certificate of Lessee applying for the payment of, or requesting reimbursement to Lessee for, the payment of the costs of repairs and replacement parts and a statement from Lessee (i) that such repairs have been completed, and (ii) that there is no event of default or event which with the passage of time or notice, or both, would constitute an event of default hereunder; provided that if Lessee is at the time of such

application or payment in default in the payment of any other liability of Lessee to Lessor hereunder, such proceeds shall be applied against such liability.

G. Lessee shall, at its own cost, maintain in effect throughout the term of the Agreement and during any storage period thereafter, with financially sound and reputable insurers acceptable to Lessor, comprehensive general public liability insurance with respect to the Cars, in form and substance satisfactory to Lessor, insuring against loss or damage to the persons and property of others in amounts which shall be satisfactory to Lessor. Liability insurance shall contain either contractual or blanket contractual liability and shall include Lessor and Owner Participant as additional insureds. The proceeds of any public liability insurance shall be paid directly to the insured entitled thereto.

H. All insurance required under Sections 5.F and 5.G above shall provide (i) that Lessor shall receive at least 30 days advance notice of any material change in, or cancellation of, such policy, and (ii) that such policy shall not be invalidated by any breach of warranty or condition by Lessee. Lessee shall, at the request of Lessor, furnish Lessor with original policies of insurance evidencing such coverage, or Lessor may, in its discretion, accept copies of such policies or appropriate certificates of insurance.

6. Rental

Lessee agrees to pay rent to Lessor during the lease term for the use of the Cars in the amount of \$35,750.00 per month, which rent shall be payable monthly on the 29th day of each month, commencing May 29, 1994 and continuing to and through October 29, 1999. All rent and other amounts due hereunder from Lessee to Lessor shall be paid to Lessor at its office at Corporate Trust Department, 33 North LaSalle Street, Chicago,

Illinois 60690, Attention: Elizabeth Nelson, or at such other location as Lessor shall specify. In the event any rent or other amounts due hereunder shall not be paid promptly when due, Lessee shall pay Lessor interest on such overdue amount from the due date to the date of payment at a rate equal to the lesser of (i) 12% per annum or (ii) the maximum rate permitted by law.

This Agreement provides for a net lease and the rent and other amounts due hereunder from Lessee to Lessor shall not be subject to any defense, claim, reduction, setoff or adjustment for any reason whatsoever. Lessee shall promptly pay all reasonable costs, expenses and obligations of every kind and nature incurred in connection with the use or operation of the Cars that, unless otherwise required under applicable law, is consistent with the current use of the Cars which may arise or be payable during the lease term of such Cars hereunder, whether or not such cost, expense or obligation is specifically referred to herein.

7. Possession and Use

A. So long as Lessee shall not be in default under this Agreement, Lessee shall be entitled to the possession, use and quiet enjoyment of the Cars in accordance with the terms of this Agreement and in the manner and to the extent Cars are customarily used in the railroad freight business.

B. Lessee agrees that the Cars will not be used or operated outside the continental U.S. or Canada. Lessee agrees that the Cars will at all times be used and operated under and in compliance with the laws of the jurisdiction in which the same may be located and in compliance with all lawful acts, rules and regulations and orders of any

governmental bodies or officers having power to regulate or supervise the use of such property, except that Lessee, unless there has been an event of default, may in good faith and by appropriate proceedings contest the application of any such rule, regulation or order in any reasonable manner at the expense of Lessee so long as such contest does not materially interfere with the use, possession, operation or return of any Cars or adversely affect the rights or interests of Lessor.

C. Lessee will not directly or indirectly create, incur, assume, or suffer to exist any mortgage, pledge, lien, charge, encumbrance, or other security interest or claim on or with respect to the Cars or any interest therein or in this Agreement, except as expressly permitted under Section 20.A hereof or as described on Exhibit E hereto. Lessee will promptly, at its expense, take such action as may be necessary to duly discharge (by bonding or otherwise) any such mortgage, pledge, lien, charge, encumbrance, security interest, or claim if the same shall arise at any time.

8. Default

A. The occurrence of any of the following events shall be "events of default" under this Agreement:

- (i) The nonpayment by Lessee of any sum required herein to be paid by Lessee within five (5) days of the date such payment is due.
- (ii) Lessee shall fail to maintain insurance on or with respect to the Cars in accordance with Section 5.F, 5.G or 5.H hereof.
- (iii) Any action by Lessee to discontinue rail service on a material portion of Lessee's main line trackage in any year or to abandon all or a material part

of its rail properties pursuant to applicable provisions of the Interstate Commerce Act or the laws of any state which adversely affects the utilization of the Cars.

- (iv) The breach by Lessee of any term, covenant or condition of this Agreement (other than as covered by clause (i), (ii) or (iii) above) which is not cured within thirty (30) days after notice to Lessee by Lessor thereof.
- (v) Any warranty made by Lessee herein is breached or is false or misleading in any material respect, or any schedule, certificate, financial statement, report, notice, or other writing furnished by Lessee to Lessor is false or misleading in any material respect on the date as of which the facts therein set forth are stated or certified.
- (vi) Lessee, pursuant to or within the meaning of any federal bankruptcy law or any other insolvency law (as now or hereafter in effect): (a) commences a voluntary case, (b) consents to the entry of an order for relief against it in an involuntary case, (c) consents to the appointment of a receiver, trustee, assignee, liquidator, or similar official, for Lessee or for all or substantially all of its property, or (d) makes a general assignment for the benefit of its creditors.
- (vii) A court of competent jurisdiction enters an order or decree under any federal bankruptcy law or other insolvency law which: (a) is for relief against Lessee in an involuntary case, (b) appoints a receiver, trustee, assignee, liquidator or similar official, for Lessee or for all or a substantial

portion of its property, or (c) orders the liquidation of Lessee, and such order or decree remains unstayed and in effect for 30 days.

- (viii) Lessee permits any substantial part of its property to be subject to a levy (other than taxes due in the ordinary course), seizure, assignment or sale by or for any creditor of Lessee or any governmental agency; or Lessee permits the Cars, or any portion thereof, to be subject to a lien, levy (other than taxes due in the ordinary course), seizure, assignment or sale by or for any creditor of Lessee or any governmental agency except as permitted under Section 7.C hereof.
- (ix) Default in the payment when due (subject to any applicable grace period), whether by acceleration or otherwise, of any indebtedness or obligation of Lessee for borrowed money, for the deferred purchase price of property or for the payment of rent exceeding \$1,000,000 in the aggregate for all such indebtedness or obligations, or default in the performance or observance of any obligation or condition with respect to any such indebtedness or obligation if the effect of such default is to accelerate the maturity of such indebtedness or obligation or to permit the holder or holders thereof, or any trustee or agent for such holders, to cause such indebtedness or obligation to become due and payable prior to its expressed maturity, except with respect to the matters described on Exhibit G hereto existing on the date hereof.
- (x) Lessee has rendered against it a final judgment or judgments aggregating in excess of \$500,000 and such judgment or judgments remain outstanding

and undischarged for a period of 10 days during which execution of such judgment or judgments has not been effectively stayed.

- (xi) The Guaranty (as defined in Section 14 hereof) shall not be in full force and effect as a legal, valid and binding agreement of Guarantor, or Guarantor shall at any time assert the same in writing.

B. Upon the occurrence of any event of default not cured as per the terms and conditions of this Agreement, Lessor may, at its option:

- (1) Terminate this Agreement;
- (2) Proceed by any lawful means to enforce performance by Lessee of this Agreement or to recover damages for a breach thereof (and Lessee agrees to bear Lessor's costs and expenses, including, without limitation, all reasonable attorneys' fees, disbursements and other expenses, in securing such enforcement);
- (3) By notice in writing to Lessee, terminate Lessee's right of possession and use of the Cars, whereupon Lessee shall return the Cars to Lessor as provided in Section 9 hereof and Lessee's rights and interest in the Cars shall terminate; and thereupon Lessor may enter upon any premises where the Cars may be located and take possession of them and henceforth hold, possess and enjoy the same free from any right of Lessee;
- (4) Elect to sell any or all Cars, after giving 30 days' notice to Lessee, at one or more public or private sales and recover from Lessee as liquidated damages for Lessee's default hereunder an amount equal to the amount, if any, by which (A) the sum of (i) the Stipulated Loss Value of a Car *multiplied by 286, less* any proceeds actually received by Lessor pursuant to a draw on any Letter of Credit issued pursuant to Section

5.A, 5.B or 5.D hereto (the "Aggregate Stipulated Loss Value"), such Stipulated Loss Value of a Car to be calculated as of the date such notice is given, (ii) all rent owing hereunder to and including the rent payment date immediately preceding the date such notice is given, (iii) all costs and expenses incurred in searching for, taking, removing, keeping, storing, repairing, restoring and selling such Cars, (iv) all other amounts owing by Lessee hereunder, and (v) all costs and expenses, including, without limitation, all reasonable attorneys' fees, disbursements and other expenses of Lessor, incurred by Lessor as a result of Lessee's default hereunder, exceeds (B) the amount received by Lessor upon such public or private sales of such Cars;

(5) Upon notice to Lessee receive prompt payment from Lessee of an amount equal to the Aggregate Stipulated Loss Value on the date such notice is given of all Cars which have not been sold by Lessor pursuant to clause (4) above and as to which a Letter of Credit has not been issued pursuant to Section 5.A, 5.B or 5.D hereof, plus, to the extent not otherwise recovered from Lessee pursuant to said clause (4) above, all amounts and expenses of the types referred to in items (ii)-(v) of (A) of said clause (4) which have been incurred by Lessor as a result of Lessee's default hereunder; provided that upon receipt of payment in full of such amount, Lessor shall transfer to Lessee, without any representation or warranty of any kind, express or implied (except with respect to its own acts), whatever title to such Cars it may have;

(6) Draw on any letter or letters of credit issued pursuant to Section 5.A, 5.B or 5.D hereof; and/or

(7) Avail itself of any other remedy or remedies provided for by any statute or otherwise available at law, in equity or in bankruptcy or insolvency proceedings.

The amounts under clauses (4) and (5) of this Section 8.B shall each include, without limitation, interest (at the applicable rate specified in the first paragraph of Section 6 hereof), to the date of receipt by Lessor of the amount payable under said clause, on installments of rent owing hereunder to and including the rent payment date immediately preceding the date on which notice is given under said clause, from the respective due dates of such installments, and interest on all other costs, expenses and losses for which Lessor is entitled to payment under said clause from the respective dates incurred by Lessor. None of the remedies contained herein shall be exclusive, and Lessor may exercise any or all of its rights hereunder together with any other rights or remedies it may have by law.

9. Return of Equipment

At the expiration or termination of this Agreement as to any Car(s), Lessee will surrender possession of such Car(s) to Lessor by delivering the same to Lessor on or before the date of such expiration or termination, free and clear of all liens, charges and other encumbrances whatsoever, in the same operating order, repair and condition as when received by Lessee hereunder, ordinary wear and tear excepted, on the track of Lessee, at the sole expense and risk of Lessee. If such Cars are not on the railroad line of Lessee upon termination, any cost of remarking, assembling, delivering, storing and transporting such Cars to Lessee's railroad line shall be borne by Lessee. If such Cars are on the railroad line of Lessee upon such expiration or termination or are subsequently returned to Lessee's railroad line, Lessee shall at Lessee's expense within five working days from notification by Lessor remove Lessee's railroad markings from the Cars and

place thereon such markings as may be designated by Lessor, at the cost and expense of Lessee. After the removal and replacement of markings, Lessee shall at Lessor's request, deliver them in interchange condition to a connecting carrier for shipment. Lessee shall provide up to one hundred eighty (180) days free storage on its railroad tracks for Lessor for any terminated Car and for all Cars after expiration of this Agreement. During such period, Lessee shall, at its own risk and expense:

- (i) insure and maintain the Cars to Lessor's satisfaction,
- (ii) transport the Cars to any reasonable place on any railroad lines operated by Lessee or to any connecting carrier for shipment, all as directed by Lessor, and
- (iii) permit Lessor or any person designated by it, including, without limitation, the authorized representative or representatives of any prospective purchaser of any such Cars, to inspect the same.

10. Indemnities

Lessee shall defend, indemnify and hold Lessor and Owner Participant harmless from and against any loss, damage, destruction, liability or expense (including, without limitation, all reasonable attorneys' fees, disbursements and other expenses of Lessor and Owner Participant), howsoever arising, incurred because of or with respect to (i) the Cars or any portion thereof or the acquisition, delivery, management, control, ownership, maintenance, condition, defect (whether or not discoverable), storage, return, repossession, surrender, sale or other disposition thereof (including, without limitation, claims for patent, trademark or copyright infringement, actual or alleged, in respect of the

Cars), (ii) any act or omission of Lessee hereunder or (iii) the imposition of strict or absolute liability in tort. Lessee shall in no event be required to indemnify Lessor hereunder against any loss or liability to the extent that the same arises solely by reason of Lessor's or Owner Participant's own gross negligence or willful misconduct. If Lessor, Owner Participant or Lessee shall obtain knowledge of any matter with respect to which Lessor or Owner Participant would be entitled to indemnification hereunder, such party shall give prompt written notice thereof to the other party, but no failure to give or receive any such notice shall relieve Lessee from any obligation to indemnify Lessor and Owner Participant pursuant hereto. In the event that any action, suit, proceeding or other claim is brought or made by a third party against Lessor or Owner Participant in connection with any matter with respect to which Lessor or Owner Participant would be entitled to indemnification hereunder, Lessee will cooperate fully with Lessor or Owner Participant, as the case may be, in defending against such action, suit, proceeding or other claim. Lessee shall pay Lessor and Owner Participant, upon demand, all amounts due under this Section 10. The indemnities provided herein shall survive the expiration or termination of this Agreement with respect to all events, facts, conditions or other circumstances occurring or existing prior to such expiration or termination.

11. Representations, Warranties and Covenants

Lessee represents, warrants and covenants that:

- (i) Lessee is a corporation duly organized, validly existing and in good standing under the laws of the State of Michigan and has the corporate power and authorization and is duly qualified and authorized to do business

in all states where failure to so qualify could materially affect Lessee's ability to carry out its present business and operations and to perform its obligations under this Agreement.

- (ii) The entering into and performance of this Agreement will not violate any judgment, order, law or regulation applicable to Lessee, or result in any material breach of, or constitute a material default under, or result in the creation of any lien, charge, security interest or other encumbrance upon any assets of Lessee or on the Cars pursuant to any agreement or other instrument to which Lessee is a party or by which it or its assets may be bound.
- (iii) There is no action or proceeding pending or threatened against Lessee before any court or administrative agency or other governmental body which might result in any material adverse effect on the business, properties and assets, or condition, financial or otherwise, of Lessee except as disclosed on Exhibit E or Exhibit F hereto.
- (iv) There is no fact which Lessee has not disclosed to Lessor in writing, nor is Lessee a party to any agreement or instrument or subject to any charter or other corporate restriction, which will individually or in the aggregate materially adversely affect the business, condition or any material portion of the properties of Lessee or the ability of Lessee to perform its obligations under this Agreement.

- (v) This Agreement has been duly authorized, executed and delivered by Lessee and constitutes a valid and binding obligation of Lessee enforceable in accordance with its terms.
- (vi) The entrance into and performance of this Agreement will not require any consent or approval of, or reports or filing with, or notice to, any public body or authority under any provision of law applicable to Lessee, other than notices required to be filed with the ICC.
- (vii) The unaudited consolidated balance sheet, statements of income, statements of changes in financial condition and statements of changes in stockholder's equity of Lessee for the fiscal years ended December 31, 1993 and 1992, copies of which have been delivered by Lessee to Lessor, fairly present, in conformity with generally accepted accounting principles, the consolidated financial position of Lessee and its subsidiaries as of such date and the results of their operations for the period then ended. Since December 31, 1993, there has been no material adverse change in the condition, financial or otherwise, of Lessee and its consolidated subsidiaries, taken as a whole, as shown on the financial statements of Lessee as of such date.
- (viii) The Cars are covered by the insurance required by Sections 5.F, 5.G and 5.H hereof, and all premiums due prior to the date hereof in respect of such insurance have been paid in full.
- (ix) No broker's or finder's or placement fee or commission will be payable with respect to the transactions contemplated by this Agreement as a result of

any action by Lessee except a \$50,000 fee outstanding as of the date hereof and payable to Irwin & Associates (which is the sole responsibility of Lessee).

- (x) Lessor has good and marketable title to each Car free and clear of all liens, encumbrances and rights of others whatsoever, except for the rights of Lessee under this Agreement. No mortgage, deed of trust or other lien of any nature whatsoever which now covers or affects any property or interest therein of Lessee, now attaches or hereafter will attach to any Car or in any manner affects or will affect adversely the right, title and interest of Lessor therein except as otherwise permitted under Section 7.C hereof.

12. Inspection; Financial Statements

A. Lessor or its designee shall at any time during normal business hours have the right to enter the premises of Lessee for the purpose of inspecting and examining the Cars and Lessee's books and records to ensure Lessee's compliance with its obligations hereunder; and any such inspection by Lessor or its designee made no more often than quarterly shall be at the expense of Lessee to a maximum of \$500 per quarter. Lessee shall immediately notify Lessor of any accident connected with the malfunctioning or operation of the Cars involving damage including cost of labor and material to repair in excess of \$1,000. Lessee shall also notify Lessor in writing within five (5) days after any attachment, tax lien or other judicial process which shall attach to any Car. Upon request of Lessor, Lessee shall furnish to Lessor promptly upon its becoming available, a copy

of its annual report or copies of any other income and balance sheet statement required to be submitted to the ICC and/or state agencies.

B. Lessee shall furnish directly to Lessor and Owner Participant:

- (i) within 120 days after the end of each fiscal year of Lessee, copies of Lessee's audited consolidating and consolidated balance sheets, statements of income, statement of changes in financial condition, and statements of changes in stockholder's equity for such fiscal year, certified by a recognized firm of independent certified public accountants;
- (ii) within 45 days after the end of each of the first eleven months of each fiscal year of Lessee, copies of Lessee's unaudited consolidating and consolidated balance sheets, statements of income, statement of changes in financial condition, and statements of changes in stockholder's equity for such month and for the portion of such fiscal year elapsed through the end of such month, certified by the chief financial officer of Lessee;
- (iii) on the date on which the financial statements referred to in clause (i) above are submitted (and at such other times as Lessor may reasonably request),
 - (a) a copy of the car repair estimate in the form attached hereto as Exhibit D (each a "Repair Report") stating the condition of the damaged Cars and the maintenance program being followed with respect thereto; (b) a written report stating that all Cars not listed on the car repair estimate form are in good condition suitable for interchange in accordance with interchange rules of the AAR; (c) a written report stating that in the case of all Cars repainted during the period covered by such report, the markings

required by this Agreement shall have been preserved or replaced; and (d) a certificate signed by the chief financial officer of Lessee to the effect that the signer has reviewed the activities of Lessee during the immediately preceding year (but not including activities occurring prior to the date of this Agreement) and that the signer is not aware of any default in compliance by Lessee with any of the covenants, terms and provisions of this Agreement (except as so specified), and if an event of default or event which written notice or the passage of time, or both, would constitute an event of default shall exist, specifying such event and the nature and status thereof;

- (iv) on the date on which the financial statements referred to in clause (ii) above are submitted, a report prepared by Lessee detailing (a) the gross car hire payments receivable to Lessee during the immediately preceding month and for the portion of the fiscal year elapsed through such month, (b) a Repair Report on all Cars for repairs recorded during such month, (c) a copy of the most recent remittance summary from any third party car hire management company, and (d) a listing by serial number of the Cars with Bad Order status;
- (v) promptly after the occurrence thereof, written notification, in reasonable detail, as to any accident, claim or demand relating to any of the Cars in excess of \$500 or to the ownership, operation or condition thereof (together with copies of all documents pertaining to such accident, claim or demand); and

- (vi) promptly such additional information with respect to the financial condition or business of Lessee as Lessor or Owner Participant may from time to time reasonably request.

13. Assignment by Lessor

Lessor may without notice to Lessee assign part or all of its right, title and interest in and to this Agreement or, subject to Lessee's rights hereunder, sell or grant a security interest in any Car or Cars. In the event of an assignment by Lessor for security, (a) such assignment will not relieve Lessor from its obligations hereunder or be construed to be an assumption by the assignee of such obligations; (b) upon request by such assignee, Lessee will make all payments of rent and other amounts due hereunder directly to such assignee; and (c) Lessee's obligations hereunder shall not be subject to any reduction, abatement, defense, set off, counterclaim or recoupment for any reason whatsoever.

14. Conditions

Lessee shall furnish to Lessor on or prior to the date hereof, in form and substance satisfactory to Lessor: (i) resolutions of the Board of Directors of Lessee, certified by its Secretary or an Assistant Secretary, authorizing the lease of the Cars and the execution, delivery and performance of this Agreement, (ii) evidence of compliance with the insurance provisions of Sections 5.F, 5.G and 5.H hereof, (iii) a favorable opinion of counsel regarding the matters set forth in paragraphs (i), (ii), (v) and (vi) of Section 11 hereof (as well as to such other matters as Lessor may reasonably request), (iv) such releases, financing statements, waivers and other documents as Lessor may reasonably request to insure that the Cars will not be subject to any lien, charge, encumbrance,

security interest or other similar interest, (v) a guaranty (the "Guaranty") of this Agreement by Mr. John Larkin (the "Guarantor"), (vi) evidence of the recordation of this Agreement with the Interstate Commerce Commission under 49 U.S.C. § 11303, and (vii) a current appraisal of the Cars by an independent railroad rolling stock valuation expert. In addition, Lessee shall pay all reasonable expenses relating to the closing of the transactions contemplated by this Agreement, including, without limitation, all reasonable attorneys' fees, disbursements and other expenses of Lessor and Owner Participant, and the costs and expenses incurred in connection with the preparation of the appraisals required above.

15. Lessor's Right to Perform

If Lessee fails to make any payments or to perform any obligations required by this Agreement, Lessor may itself make any such payments or perform any such obligations. The amount of any such payment and Lessor's costs and expenses, including, without limitation, interest at the rate set forth in the first paragraph of Section 6 hereof and all reasonable attorneys' fees, disbursements and other expenses in connection therewith and with such performance, shall thereupon be and become payable by Lessee to Lessor upon demand.

16. Notices

Unless otherwise specifically provided, any notices to be given under this Agreement or any other communications between parties shall be given in person, by reputable overnight air courier, by facsimile transmission or by certified mail, postage prepaid, at the following address or facsimile number (or at such other address or

facsimile number as any party may from time to time indicate by written notice to the other parties):

a) Notices to Lessee:

Escanaba & Lake Superior Railroad Company
Wells, Michigan 49894
Attention: John Larkin, President

Facsimile: (906) 786-8012

b) Notices to Lessor:

American National Bank and Trust
Company of Chicago
33 North LaSalle Street
Chicago, Illinois 60690
Attention: Corporate Trust Department
Elizabeth Nelson

Facsimile: (312) 661-6491

With a copy of each notice to Lessor also to:

Northern Federal Leasing, L.L.C.
Federal Heritage Building
209 East Portage Avenue
Sault Ste. Marie, Michigan 49783
Attention: Doug Ward

Facsimile: (906) 635-0212

17. Purchase Option

Lessor hereby grants to Lessee an option to purchase all but not less than all of the interests of Lessor in the Cars remaining under lease either: (a) on or after April 29, 1996 but before the expiration or termination of this Agreement for a total purchase price of (i) the Aggregate Stipulated Loss Value on the date of such purchase *plus*

(ii) \$100,000; or (b) at the expiration of this Agreement on October 29, 1999 for a total purchase price of \$10,000.

Lessee shall deliver to Lessor written notice of Lessee's desire to exercise either such right to purchase not later than thirty (30) days prior to the applicable date thereof. In the event of such exercise, Lessee shall purchase the Cars on the applicable date by paying Lessor in cash the aggregate purchase price therefor. Upon receipt of payment of the purchase price therefor, and upon payment of all rent and any other amounts owing to Lessor under this Agreement, each in full in cash, (i) Lessor shall transfer to Lessee all of Lessor's right, title and interest in and to the Cars, such transfer to be without recourse to or warranty by Lessor (other than a warranty relating to the title or other interest in the Cars of Lessor that exists on the date hereof, and then only as to Lessor's own acts from the date hereof to the date of such transfer), (ii) Lessor shall return to Lessee any Letters of Credit issued to Lessor pursuant to Section 5.A, 5.B or 5.D hereof that remain outstanding and (iii) this Agreement shall terminate without further act by the parties, provided that such termination does not and will not have an adverse effect on the Lessor's interests and provided further that, notwithstanding any such termination, the provisions of Section 10 shall remain in full force and effect and Lessee shall not be released from its obligations thereunder; it being understood and agreed that this Agreement (including, without limitation, the obligation to pay rent hereunder, and together with any amendments thereto) will continue in effect on the same terms and conditions as are set forth herein until the date of Lessee's purchase of the Cars.

18. Lessor's Reservation of Rights

Unless Lessee has made all payments and complied with all conditions and obligations herein to be performed by it, Lessor reserves title to, and a security interest in, the Cars, the proceeds thereof (the term "proceeds" is included herein solely to protect Lessor against Lessee's unauthorized disposition of the Cars and does not authorize any sale or transfer of the Cars by Lessee) and all accretions, additions, accessories, replacements, and substitutions thereto or therefor in order to secure Lessee's payment of the amounts due hereunder and performance of all obligations herein to be performed by Lessee.

19. Certain Expenses

In addition to the amounts required to be paid by Lessee pursuant to Section 14 hereof, Lessee agrees to pay when due: (i) 50% of the annual fees of Owner Trustee under the Trust Agreement, (ii) the reasonable expenses (including, without limitation, all reasonable attorneys' fees, disbursements and other expenses) of Lessor incurred and Owner Participant, including, without limitation, those incurred subsequent to the delivery of the Cars in connection with any supplements, amendments, modifications or alterations of this Agreement which are (1) requested by, or necessitated by action or inaction on the part of, Lessee or entered into in connection with, or as a result of, a default by Lessee hereunder, or (2) necessary or required to effectuate the purpose or intent of this Agreement, and (iii) any additional ongoing expenses (including, without limitation, all reasonable attorneys' fees, disbursements and other expenses) of Lessor or Owner Participant under the Trust Agreement except with respect to the fees covered by

clause (i) above, and except with respect to issues arising solely between Owner Participant and the Owner Trustee under the Trust Agreement.

20. Miscellaneous

A. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns, except that Lessee may not without the prior written consent of Lessor assign this Agreement or any of its rights hereunder or sublease the Cars to any party, and any purported assignment or sublease in violation hereof shall be void; provided, however, that the foregoing notwithstanding, Lessee shall be entitled to grant a security interest in its rights under this Agreement to Bank of New York in connection with certain financing provided to Lessee by said Bank.

B. It is expressly understood and agreed by the parties hereto that this Agreement constitutes a lease of the Cars only, and nothing herein shall be construed as conveying to Lessee any right, title or interest in or to the Cars except as a lessee. The parties confirm their intent that this Agreement evidences a purchase money financing provided by Lessor and Owner Participant to Lessee in order to enable Lessee to acquire rights in and the use of the Cars, and that Lessor and Owner Participant are and shall be entitled to the benefits of Section 1168 of the federal Bankruptcy Code with respect to this Agreement and the Cars.

C. This Agreement shall be governed by and construed according to the laws of the State of Michigan. If this Agreement or any provision hereof shall be deemed invalid, illegal or unenforceable in any respect or in any jurisdiction, the validity, legality

and enforceability of this Agreement in other respects and other jurisdictions shall not be in any way impaired or affected thereby.

D. No waiver by Lessor of any breach or default shall constitute a waiver of any other breach or default by Lessee or waiver of any of Lessor's rights hereunder. Lessor's rights and Lessee's duties shall in no way be affected by Lessor's inspection of, or failure to inspect, the Cars or any thereof or any of the documents referred to in this Agreement or by Lessor's failure to inform Lessee of any failure to comply with any of Lessee's obligations under this Agreement.

E. This Agreement may be executed in several counterparts, each of which so executed shall be deemed to be an original and in each case such counterparts shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

LESSEE

ATTEST:

ESCANABA & LAKE SUPERIOR
RAILROAD COMPANY

By: Leon Freshman
Title: Director of Accounting

By: John L. Larkin
Title: President

LESSOR

ATTEST:

AMERICAN NATIONAL BANK AND
TRUST COMPANY OF CHICAGO, as
Owner Trustee

By: _____

By: _____

Title: _____

Title: _____

ACKNOWLEDGED AND AGREED TO BY:

John Larkin, as Guarantor

STATE OF MICHIGAN)
)
COUNTY OF Chippewa) SS

On this 29th day of April, 1994, before me personally appeared John Larkin, to me personally known, who, being by me duly sworn, says that he is President of Escanaba & Lake Superior Railroad Company, that said instrument was signed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was his free act and deed and the free act and deed of such corporation.

[SEAL]

Sharon L. Jancity
Notary Public

My commission expires: 4-1-98

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

LESSEE

ATTEST:

ESCANABA & LAKE SUPERIOR
RAILROAD COMPANY

By: _____

By: _____

Title: _____

Title: _____

LESSOR

ATTEST:

AMERICAN NATIONAL BANK AND
TRUST COMPANY OF CHICAGO, as
Owner Trustee

By: *B. Larkin*

By: *B. Lindley*

Title: TRUST OFFICER

Title: Second Vice President

ACKNOWLEDGED AND AGREED TO BY:

John Larkin, as Guarantor

STATE OF ILLINOIS :
: SS.
COUNTY OF COOK :

I, Anntonette Eileen Spulak, a Notary Public in and for the said County in the State aforesaid, do hereby certify that Bernadette G. Janairo personally known to me to be the same person whose name is subscribed to the foregoing instrument, as Trust Officer of American National Bank and Trust Company of Chicago appeared before me this day in person and severally acknowledged that he/she signed and delivered the said instrument, as his/her free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my and notarial seal this 29th day of April, 1994.

(SEAL)



Anntonette Eileen Spulak
Notary Public

My Commission Expires: 11/19/97

STATE OF ILLINOIS :
: SS.
COUNTY OF COOK :

I, Anntonette Eileen Spulak, a Notary Public in and for the said County in the State aforesaid, do hereby certify that Brian Terwilliger personally known to me to be the same person whose name is subscribed to the foregoing instrument, as Second Vice President of American National Bank and Trust Company of Chicago appeared before me this day in person and severally acknowledged that he/she signed and delivered the said instrument, as his/her free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my and notarial seal this 29th day of April, 1994.

(SEAL)



Anntonette Eileen Spulak
Notary Public

My Commission Expires: 11/19/97

LIST OF EXHIBITS

| | |
|-----------|---|
| Exhibit A | List of Cars |
| Exhibit B | Form of Certificate of Acceptance |
| Exhibit C | Stipulated Loss Value |
| Exhibit D | Form of Car Repair Estimate |
| Exhibit E | Schedule of Permitted Liens |
| Exhibit F | Schedule of Litigation or Other Actions |

EXHIBIT A

DESCRIPTION OF CARS

| <u>Description</u> | <u>Manufacturer</u> | <u>No. of Cars</u> |
|--|---------------------|--------------------|
| 50 foot, 6 inch 70 ton XM boxcars with 10 foot sliding doors built in 1977 and/or 1978 | Pullman | 286 |

Car Markings

| | | | | |
|-----------|-----------|-----------|-----------|-----------|
| ELS101600 | ELS101623 | ELS101648 | ELS101672 | ELS101694 |
| ELS101601 | ELS101624 | ELS101649 | ELS101673 | ELS101695 |
| ELS101602 | ELS101625 | ELS101650 | ELS101674 | ELS101696 |
| ELS101603 | ELS101627 | ELS101651 | ELS101675 | ELS101697 |
| ELS101604 | ELS101628 | ELS101652 | ELS101676 | ELS101698 |
| ELS101605 | ELS101629 | ELS101653 | ELS101677 | ELS101699 |
| ELS101606 | ELS101630 | ELS101654 | ELS101678 | ELS101700 |
| ELS101607 | ELS101631 | ELS101655 | ELS101679 | ELS101701 |
| ELS101608 | ELS101632 | ELS101656 | ELS101680 | ELS101702 |
| ELS101609 | ELS101634 | ELS101657 | ELS101681 | ELS101703 |
| ELS101610 | ELS101635 | ELS101658 | ELS101682 | ELS101704 |
| ELS101611 | ELS101636 | ELS101659 | ELS101683 | ELS101705 |
| ELS101613 | ELS101637 | ELS101660 | ELS101684 | ELS101706 |
| ELS101614 | ELS101639 | ELS101661 | ELS101685 | ELS101707 |
| ELS101615 | ELS101640 | ELS101662 | ELS101686 | ELS101708 |
| ELS101616 | ELS101641 | ELS101663 | ELS101687 | ELS101709 |
| ELS101617 | ELS101642 | ELS101666 | ELS101688 | ELS101710 |
| ELS101618 | ELS101643 | ELS101667 | ELS101689 | ELS101711 |
| ELS101619 | ELS101644 | ELS101668 | ELS101690 | ELS101712 |
| ELS101620 | ELS101645 | ELS101669 | ELS101691 | ELS101713 |
| ELS101621 | ELS101646 | ELS101670 | ELS101692 | ELS101714 |
| ELS101622 | ELS101647 | ELS101671 | ELS101693 | ELS101715 |

| | | | | |
|-----------|-----------|-----------|-----------|-----------|
| ELS101716 | ELS101754 | ELS101790 | ELS101828 | ELS101868 |
| ELS101717 | ELS101755 | ELS101791 | ELS101829 | ELS101869 |
| ELS101718 | ELS101756 | ELS101793 | ELS101830 | ELS101870 |
| ELS101719 | ELS101757 | ELS101794 | ELS101831 | ELS101871 |
| ELS101720 | ELS101758 | ELS101795 | ELS101832 | ELS101872 |
| ELS101721 | ELS101759 | ELS101796 | ELS101834 | ELS101873 |
| ELS101722 | ELS101760 | ELS101797 | ELS101835 | ELS101874 |
| ELS101723 | ELS101761 | ELS101798 | ELS101836 | ELS101875 |
| ELS101724 | ELS101762 | ELS101799 | ELS101837 | ELS101876 |
| ELS101725 | ELS101763 | ELS101800 | ELS101838 | ELS101877 |
| ELS101726 | ELS101764 | ELS101801 | ELS101839 | ELS101878 |
| ELS101727 | ELS101765 | ELS101802 | ELS101840 | ELS101879 |
| ELS101728 | ELS101766 | ELS101803 | ELS101842 | ELS101880 |
| ELS101729 | ELS101767 | ELS101804 | ELS101843 | ELS101881 |
| ELS101730 | ELS101768 | ELS101805 | ELS101844 | ELS101882 |
| ELS101731 | ELS101769 | ELS101806 | ELS101845 | ELS101883 |
| ELS101732 | ELS101770 | ELS101807 | ELS101846 | ELS101884 |
| ELS101733 | ELS101771 | ELS101808 | ELS101847 | ELS101885 |
| ELS101734 | ELS101772 | ELS101809 | ELS101849 | ELS101886 |
| ELS101735 | ELS101773 | ELS101810 | ELS101850 | ELS101887 |
| ELS101737 | ELS101774 | ELS101811 | ELS101851 | ELS101888 |
| ELS101738 | ELS101775 | ELS101812 | ELS101852 | ELS101889 |
| ELS101739 | ELS101776 | ELS101813 | ELS101853 | ELS101890 |
| ELS101740 | ELS101777 | ELS101814 | ELS101854 | ELS101891 |
| ELS101741 | ELS101778 | ELS101815 | ELS101855 | ELS101892 |
| ELS101742 | ELS101779 | ELS101817 | ELS101856 | ELS101893 |
| ELS101743 | ELS101780 | ELS101818 | ELS101857 | ELS101894 |
| ELS101744 | ELS101781 | ELS101819 | ELS101858 | ELS101895 |
| ELS101745 | ELS101782 | ELS101820 | ELS101859 | ELS101896 |
| ELS101746 | ELS101783 | ELS101821 | ELS101860 | ELS101897 |
| ELS101747 | ELS101784 | ELS101822 | ELS101861 | ELS101898 |
| ELS101748 | ELS101785 | ELS101823 | ELS101862 | ELS101899 |
| ELS101749 | ELS101786 | ELS101824 | ELS101863 | -END- |
| ELS101751 | ELS101787 | ELS101825 | ELS101864 | |
| ELS101752 | ELS101788 | ELS101826 | ELS101866 | |
| ELS101753 | ELS101789 | ELS101827 | ELS101867 | |

EXHIBIT B

Certificate of Acceptance

The undersigned, a duly authorized representative of The Escanaba & Lake Superior Railroad Company, does hereby certify that the Cars (as defined in the Railcar Lease Agreement hereinafter referred to) have been delivered to and accepted on behalf of The Escanaba & Lake Superior Railroad Company as of April 29, 1994, pursuant to that certain Railcar Lease Agreement, dated as of April 29, 1994, by and between The Escanaba & Lake Superior Railroad Company and American national Bank and Trust Company of Chicago.

Dated: April 29, 1994

THE ESCANABA & LAKE SUPERIOR
RAILROAD COMPANY

By: _____

Title: _____

EXHIBIT C

STIPULATED LOSS VALUE

| <u>Stipulated Loss Value Table</u> | <u>Per Car Amount</u> |
|------------------------------------|-----------------------|
|------------------------------------|-----------------------|

| | |
|---|---------|
| On or Before Rent Payment No. . . . 1 | \$4,545 |
| Thereafter, but on or Before | |
| Rent Payment Date No. 2 | \$4,512 |
| Thereafter, but on or Before | |
| Rent Payment Date No. 3 | \$4,478 |
| Thereafter, but on or Before | |
| Rent Payment Date No. 4 | \$4,444 |
| Thereafter, but on or Before | |
| Rent Payment Date No. 5 | \$4,408 |
| Thereafter, but on or Before | |
| Rent Payment Date No. 6 | \$4,372 |
| Thereafter, but on or Before | |
| Rent Payment Date No. 7 | \$4,336 |
| Thereafter, but on or Before | |
| Rent Payment Date No. 8 | \$4,298 |
| Thereafter, but on or Before | |
| Rent Payment Date No. 9 | \$4,260 |
| Thereafter, but on or Before | |
| Rent Payment Date No. . . . 10 | \$4,221 |
| Thereafter, but on or Before | |
| Rent Payment Date No. . . . 11 | \$4,181 |
| Thereafter, but on or Before | |
| Rent Payment Date No. . . . 12 | \$4,141 |
| Thereafter, but on or Before | |
| Rent Payment Date No. . . . 13 | \$4,099 |
| Thereafter, but on or Before | |
| Rent Payment Date No. . . . 14 | \$4,057 |
| Thereafter, but on or Before | |
| Rent Payment Date No. . . . 15 | \$4,014 |

| | | | |
|------------------------------|-----|----|---------------|
| Thereafter, but on or Before | | | |
| Rent Payment Date No. | ... | 16 | \$3,970 |
| Thereafter, but on or Before | | | |
| Rent Payment Date No. | ... | 17 | \$3,925 |
| Thereafter, but on or Before | | | |
| Rent Payment Date No. | ... | 18 | \$3,879 |
| Thereafter, but on or Before | | | |
| Rent Payment Date No. | ... | 19 | \$3,833 |
| Thereafter, but on or Before | | | |
| Rent Payment Date No. | ... | 20 | \$3,785 |
| Thereafter, but on or Before | | | |
| Rent Payment Date No. | ... | 21 | \$3,737 |
| Thereafter, but on or Before | | | |
| Rent Payment Date No. | ... | 22 | \$3,687 |
| Thereafter, but on or Before | | | |
| Rent Payment Date No. | ... | 23 | \$3,636 |
| Thereafter, but on or Before | | | |
| Rent Payment Date No. | ... | 24 | \$3,585 |
| Thereafter, but on or Before | | | |
| Rent Payment Date No. | ... | 25 | \$3,532 |
| Thereafter, but on or Before | | | |
| Rent Payment Date No. | ... | 26 | \$3,479 |
| Thereafter, but on or Before | | | |
| Rent Payment Date No. | ... | 27 | \$3,424 |
| Thereafter, but on or Before | | | |
| Rent Payment Date No. | ... | 28 | \$3,368 |
| Thereafter, but on or Before | | | |
| Rent Payment Date No. | ... | 29 | \$3,311 |
| Thereafter, but on or Before | | | |
| Rent Payment Date No. | ... | 30 | \$3,253 |
| Thereafter, but on or Before | | | |
| Rent Payment Date No. | ... | 31 | \$3,193 |
| Thereafter, but on or Before | | | |
| Rent Payment Date No. | ... | 32 | \$3,133 |
| Thereafter, but on or Before | | | |
| Rent Payment Date No. | ... | 33 | \$3,071 |

| | | | |
|------------------------------|-----|----|---------------|
| Thereafter, but on or Before | | | |
| Rent Payment Date No. | ... | 34 | \$3,008 |
| Thereafter, but on or Before | | | |
| Rent Payment Date No. | ... | 35 | \$2,944 |
| Thereafter, but on or Before | | | |
| Rent Payment Date No. | ... | 36 | \$2,878 |
| Thereafter, but on or Before | | | |
| Rent Payment Date No. | ... | 37 | \$2,811 |
| Thereafter, but on or Before | | | |
| Rent Payment Date No. | ... | 38 | \$2,743 |
| Thereafter, but on or Before | | | |
| Rent Payment Date No. | ... | 39 | \$2,674 |
| Thereafter, but on or Before | | | |
| Rent Payment Date No. | ... | 40 | \$2,603 |
| Thereafter, but on or Before | | | |
| Rent Payment Date No. | ... | 41 | \$2,530 |
| Thereafter, but on or Before | | | |
| Rent Payment Date No. | ... | 42 | \$2,456 |
| Thereafter, but on or Before | | | |
| Rent Payment Date No. | ... | 43 | \$2,381 |
| Thereafter, but on or Before | | | |
| Rent Payment Date No. | ... | 44 | \$2,304 |
| Thereafter, but on or Before | | | |
| Rent Payment Date No. | ... | 45 | \$2,225 |
| Thereafter, but on or Before | | | |
| Rent Payment Date No. | ... | 46 | \$2,145 |
| Thereafter, but on or Before | | | |
| Rent Payment Date No. | ... | 47 | \$2,064 |
| Thereafter, but on or Before | | | |
| Rent Payment Date No. | ... | 48 | \$1,980 |
| Thereafter, but on or Before | | | |
| Rent Payment Date No. | ... | 49 | \$1,895 |
| Thereafter, but on or Before | | | |
| Rent Payment Date No. | ... | 50 | \$1,809 |
| Thereafter, but on or Before | | | |
| Rent Payment Date No. | ... | 51 | \$1,720 |
| Thereafter, but on or Before | | | |

| | | |
|------------------------------|--------------|---------|
| Rent Payment Date No. . . . | 52 | \$1,630 |
| Thereafter, but on or Before | | |
| Rent Payment Date No. . . . | 53 | \$1,538 |
| Thereafter, but on or Before | | |
| Rent Payment Date No. . . . | 54 | \$1,444 |
| Thereafter, but on or Before | | |
| Rent Payment Date No. . . . | 55 | \$1,348 |
| Thereafter, but on or Before | | |
| Rent Payment Date No. . . . | 56 | \$1,250 |
| Thereafter, but on or Before | | |
| Rent Payment Date No. . . . | 57 | \$1,150 |
| Thereafter, but on or Before | | |
| Rent Payment Date No. . . . | 58 | \$1,049 |
| Thereafter, but on or Before | | |
| Rent Payment Date No. . . . | 59 | \$ 945 |
| Thereafter, but on or Before | | |
| Rent Payment Date No. . . . | 60 | \$ 839 |
| Thereafter, but on or Before | | |
| Rent Payment Date No. . . . | 61 | \$ 731 |
| Thereafter, but on or Before | | |
| Rent Payment Date No. . . . | 62 | \$ 620 |
| Thereafter, but on or Before | | |
| Rent Payment Date No. . . . | 63 | \$ 508 |
| Thereafter, but on or Before | | |
| Rent Payment Date No. . . . | 64 | \$ 393 |
| Thereafter, but on or Before | | |
| Rent Payment Date No. . . . | 65 | \$ 276 |
| Thereafter | | \$ 157 |

EXHIBIT D

Car Repair Estimate

Car Number:

Date:

Type Car:

Location:

End

Repairs Required

Nature of Defects

Estimated Cost of Repairs:

Labor \$ _____

Material \$ _____

Total \$ _____

EXHIBIT E

Schedule of Permitted Liens, etc.

| | |
|---|--------------------------|
| Internal Revenue Service (Delinquent employment taxes, plus penalties and interest) | \$ 795,772 as of 3/15/94 |
|---|--------------------------|

| | |
|---|-------------------------|
| U.S. Railroad Retirement Board (Delinquent unemployment tax, plus penalties and Interest) | \$ 44,640 as of 3/15/94 |
|---|-------------------------|

| | |
|--|----------------------------|
| The Bank of New York (under a Security Agreement dated as of August 6, 1990) | \$ 6,204,924 as of 4/28/94 |
|--|----------------------------|

EXHIBIT F

Schedule of Litigation or Other Actions

Michigan Department of Transportation (MDOT):

MDOT is suing the Escanaba & Lake Superior Railroad Company (E&LS) to recover funds advanced to the Milwaukee Road Railroad for track rehabilitation in the amount of \$328,110. The latest settlement proposal calls for the E&LS to receive credit against the amount of the suit for track improvements over the next ten years.

Settlement is still under negotiation.

West Bend Insurance:

The E&LS is suing West Bend to recover costs in connection with a crossing accident involving a truck. It is clear that the Railroad was not at fault in this accident.

Settlement negotiations are in process.

Fox River Valley Railroad (FRVR):

The FRVR is suing the E&LS to gain access to Gencor, a shipper, at the Howard, WI industrial park. The parties have reached a tentative settlement under which the E&LS would be compensated for each carload FRVR shipped.

Benser vs. County of Marinette, Village of Coleman and E&LS:

Single vehicle motorcycle accident at a railroad crossing. No train was involved. Case scheduled to be tried in May, 1994. E&LS maintains it has no liability.

EXHIBIT G

Michigan Department of Transportation (MDOT) Obligations

The Escanaba & Lake Superior Railroad Company has two outstanding obligations to MDOT. They are:

Capital Lease:

A \$1,645,333 lease purchase obligation payable to MDOT in unequal monthly installments including interest at 4.5% due in September, 2002. Payments were suspended in June, 1992. The lease is for the Railroad's mainline from Ontonagon to the state line near Iron Mountain, MI.

Track Rehabilitation Loan:

A \$212,050 track rehabilitation loan payable to MDOT. This is a non-interest bearing loan due in monthly installments of \$7,000. Loan payments were suspended in June, 1992.